

CORRECTED DIRECT TESTIMONY OF**SHERYL K. SHELTON****ON BEHALF OF****DOMINION ENERGY SOUTH CAROLINA, INC.****DOCKET NO. 2021-361-G****Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

A. My name is Sheryl K. Shelton, and my business address is 220 Operation Way, Cayce, South Carolina 29033. Effective April 1, 2022, I am the Manager of Demand Side Management / Energy Conservation for Dominion Energy South Carolina, Inc. ("DESC" or the "Company").

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I am a graduate of the University of South Carolina with a Bachelor of Science degree in Biology, Chemistry minor. In 1991, while attending college, I began my utility career as a student intern in Fossil Hydro Operations at South Carolina Electric & Gas Company ("SCE&G"). Upon completing my degree, I accepted a position as a Budget Analyst in Fossil Hydro Accounting. In 1994, I transitioned to a Plant Chemist at the Central Laboratory where I performed standard plant chemistry analysis and became involved with the South Carolina Department of Health and Environmental Control auditing of plant laboratories for coal, natural gas, and hydro generating facilities throughout the SCE&G service territory. In 2009, I accepted a Senior Analyst position in a newly developed department, Demand Side Management ("DSM"), evaluating energy efficiency programs for residential and non-residential customers. In 2011, I was promoted

1 to Supervisor where under my direction we formed a specialized DSM team to handle
2 customer service, rebate processing and developed the necessary program tracking and
3 reporting to meet regulatory requirements. In 2015, I was promoted to Manager, DSM
4 Administration/EM&V. Effective April 1, 2022, I will assume the responsibilities of
5 Manager, Energy Conservation, which will include managing the operations of the DSM
6 department.

7 **Q. WHAT ARE YOUR DUTIES WITH DESC?**

8 A. Currently, I am responsible for managing and directing the third-party evaluation
9 of the Company's residential, commercial, and industrial electric energy efficiency
10 programs, which constitute Demand Side Management programs as that term is used in the
11 statute that governs DSM programs, S.C. Code Ann. § 58-37-10. This includes the detailed
12 analysis of approved and proposed electric DSM programs and incorporating the DSM
13 portfolio into the Company's Integrated Resource Plan. My primary responsibilities
14 include the planning, organizing, and coordinating evaluation, measurement, and
15 verification ("EM&V") activities for the DSM portfolio through a third-party evaluator,
16 Opinion Dynamics Corp, Inc. This includes ensuring EM&V data is collected and made
17 available for regulatory review and analysis, reviewing EM&V processes and reports, and
18 coordinating all pertinent EM&V activities. Additionally, my responsibilities include
19 oversight of the development and implementation of program planning models, market
20 characterization and potential studies, cost effectiveness analysis, and associated analytics
21 for the portfolio. Among other things, I am heavily involved in the regulatory process and
22 manage a team dedicated to the portfolio implementation activities which, include
23 information technology data tracking, accounting, rebate processing, customer assistance,

1 and general administrative responsibilities. In my new role, effective April 1, 2022, I will
2 be responsible for all aspects of DESC's electric DSM portfolio.

3 **Q. HAVE YOU EVER TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION**
4 **OF SOUTH CAROLINA ("COMMISSION")?**

5 No, this is my first time testifying before the Commission.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to give an overview of the Company's commitment
8 to providing energy education to our customers, the DSM portfolio, and to provide
9 background and an overview of DESC's Application for the Approval of New Natural Gas
10 Energy Efficiency Programs and Notice of Intent to Seek Net Lost Revenue under the
11 Natural Gas Rate Stabilization Act ("Application") filed on November 23, 2021. I will
12 also explain why creating the new Natural Gas Energy Efficiency Programs ("Natural Gas
13 EE Programs") for the Company's natural gas customers is needed for the Company to
14 provide similar benefits to our existing gas customers already provided to electric
15 customers. I further explain the key features of the programs that DESC is asking the
16 Commission to approve. In addition, my direct testimony describes how the Company
17 developed the programs and engaged the DESC Energy Efficiency Advisory Group in
18 advance of the filing. I conclude my direct testimony by requesting that the Commission
19 approve the Natural Gas EE Programs as set forth in the Application.

20 **Q. WHO ARE THE OTHER WITNESSES THAT WILL PROVIDE DIRECT**
21 **TESTIMONY FOR DESC?**

22 A. The other DESC witnesses providing testimony are:

1. Jim Herndon, Vice President Strategy and Planning Practice at Resource Innovations, Inc. (“Resource Innovations”), formerly known as Nexant, Inc. Mr. Herndon will testify about the comprehensive program development process that led to the creation of the proposed Natural Gas EE Programs. Mr. Herndon and DESC began the development process in June 2021. DESC will continue to work with Mr. Herndon and Resource Innovations to ensure an effective implementation of the proposed programs.
2. Jatón Smith, Manager - Regulation, Dominion Energy Services, Inc. Ms. Smith will testify to the rate design of a proposed gas rate rider, which will allow the Company to recover its program costs and earn a reasonable incentive under S.C. Code Ann. § 58-37-20. Ms. Smith will also explain the Company’s intent to recover its resulting net lost revenues through the Company’s Annual Natural Gas Rate Stabilization Act (“RSA”) proceeding under S.C. Code Ann. § 58-5-400, *et seq.*

BACKGROUND AND STATUTORY FRAMEWORK

Q. PLEASE PROVIDE A BRIEF BACKGROUND REGARDING THE COMPANY’S DECISION TO CREATE THE NATURAL GAS EE PROGRAMS.

A. To develop these programs, the Company began consulting with other DESC corporate teams in the Spring of 2021 with a goal to identify natural gas DSM programs that we could potentially offer as a benefit to DESC’s gas customers. This internal development process also included collaborative efforts with our various counterparts at several of the Dominion Energy, Inc. (“DEI”) companies in order to determine what gas-specific DSM programs are offered in other jurisdictions. After multiple meetings and

1 roundtable discussions, DESC determined that it would enlist the services of Resource
2 Innovations to help the Company formally develop its gas DSM offerings and bring them
3 to market. The Company selected Resource Innovations because it has an extensive record
4 in developing natural gas DSM programs at other utilities across the country as Company
5 Witness Herndon will testify.

6 DESC and Resource Innovations began collaborating in June 2021 on the
7 Company's goal to create and implement the Natural Gas EE Programs. DESC informed
8 Resource Innovations that the proposed Natural Gas EE Programs would best serve
9 customers if DESC could leverage the Company's extensive Electric DSM experience and
10 infrastructure. The end goal of this collaborative process was to create Natural Gas EE
11 Programs that would emulate and merge into the Company's electric energy efficiency
12 programs in order to provide a portfolio of programs to all interested DESC customers.

13 DESC and Resource Innovations held developmental meetings over the next
14 several months to create and refine the Natural Gas EE Programs. Once the Company
15 determined the appropriate level of customer-focused measures and programs, it presented
16 the proposed programs to the South Carolina Office of Regulatory Staff ("ORS") on
17 October 19, 2021. This meeting allowed DESC to inform the ORS about the Company's
18 desire to create the proposed Natural Gas EE Programs and bring them to market in 2022.

19 DESC also obtained input from stakeholders in the DESC Energy Efficiency
20 Advisory Group on October 26, 2021, where the Company explained its plan for the
21 Natural Gas EE Programs. At the meeting, DESC described the Company's plan, specific
22 programs and measures—subject to Commission approval—to roll out the proposed
23 Natural Gas EE Programs in 2022. Shortly thereafter, as requested, the DESC Energy

1 Efficiency Advisory Group provided feedback to the Company prior to the Company filing
2 the Application.

3 **Q. DOES THE SOUTH CAROLINA GENERAL ASSEMBLY ENCOURAGE GAS**
4 **UTILITIES TO CREATE ENERGY EFFICIENCY AND CONSERVATION**
5 **PROGRAMS?**

6 A. Yes. The South Carolina General Assembly supports a utility's investment in
7 energy efficiency and conservation programs for both electric and gas utilities. More
8 specifically, South Carolina law states, "[t]he South Carolina Public Service Commission
9 may adopt procedures that encourage electrical utilities **and public utilities providing gas**
10 **services subject to the jurisdiction of the commission** to invest in cost-effective energy
11 efficient technologies and energy conservation programs." S.C. Code Ann. § 58-37-20
12 (emphasis added).

13 **Q. DOES SECTION 58-37-20 ALLOW GAS UTILITIES TO RECOVER PROGRAM**
14 **COSTS IN THE SAME WAY ELECTRIC UTILITIES ARE ALLOWED TO**
15 **RECOVER PROGRAM COSTS?**

16 A. Yes. The statute does not differentiate between electric and gas utilities with
17 respect to the procedures that the Commission adopts. These statutes require: (1) the
18 Commission must provide incentives to utilities; (2) allow the utilities to recover costs; and
19 (3) establish rates and charges that ensure that the utility's net income after implementation
20 of specific cost-effective energy conservation measures is at least as high as the net income
21 would have been if the energy conservation measures had not been implemented.

1 **Q. WHY IS AN INCENTIVE, AS PROVIDED BY THE STATUTE, NECESSARY?**

2 A. The proposed Natural Gas EE Programs—like their electric counterparts—are
3 designed to reduce energy consumption at the consumer level, while maintaining the same
4 quality and reliability of services historically offered by the Company before program
5 implementation. Because DESC’s revenues include the sale of natural gas, the loss of sales
6 through the deployment of energy efficiency and conservation programs will reduce the
7 Company’s total revenue and negatively impact its financial results. The incentive
8 requirement is designed to promote investments in energy efficiency and conservation
9 programs while providing the Company the resources to maintain safe and reliable service,
10 and the incentive provides the necessary inducement beyond recovery of lost revenues and
11 program costs incurred by the Company.

12 **Q. WHAT IS THE COMPANY REQUESTING IN THIS PROCEEDING?**

13 A. DESC seeks approval of four new demand reduction and energy efficiency
14 programs for the Company’s residential and commercial natural gas customers. These new
15 programs will leverage DESC’s existing electric DSM infrastructure and create a balanced
16 set of programs and opportunity for all DESC customers to make smarter energy choices
17 based on individual needs. DESC also seeks authority to create a new Rider to Retail Gas
18 Rates—Demand Side Management Component and utilize the rider for cost recovery and
19 incentives proposed by DESC in this filing consistent with the requirements of S.C. Code
20 Ann. § 58-37-20.

21 **Q. WHAT IS NET LOST REVENUE?**

22 A. As approved by this Commission, net lost revenue reflects the reduction in therm
23 sales and corresponding sales revenue net of cost of gas as a result of customer participation

1 in each DSM program. As a result, the loss of sales through the deployment of the energy
2 efficiency and conservation programs mentioned would result in net lost revenue.

3 **Q. HAS THE COMPANY PROJECTED THE THERM SAVINGS FROM THE**
4 **PROPOSED PROGRAMS?**

5 Yes. The proposed programs will result in annual energy savings ranging from
6 approximately 215,000 therms in Program Year One to over 340,000 therms in Program
7 Year Five. This results in 1.520 million therms saved over the five program years. Exhibit
8 No. ____ (SKS-1).

9 **Q. HOW WILL DESC'S RECOVER NET LOST REVENUES?**

10 A. As discussed by Company Witness Smith, the Company intends to recover its net
11 lost revenues resulting from the proposed Natural Gas EE Programs through DESC's
12 Annual RSA proceeding under S.C. Code Ann. § 58-5-400, *et seq.*, rather than through the
13 Gas DSM Rider.

14 **DESC'S COMMITMENT TO ENERGY EFFICIENCY AND DSM PROGRAMS**

15 **Q. HOW WOULD YOU DESCRIBE THE SCOPE OF THE COMPANY'S PROPOSED**
16 **DSM PROGRAMS IN AGGREGATE?**

17 A. The proposed DSM programs provide benefit to customers who want to manage
18 their energy usage and provide a broad range of measures to support energy efficiency for
19 both residential and non-residential customers. These programs include targeting energy
20 education and discounts on easy to install measures and programs providing incentives for
21 specific energy efficiency investments. In addition, each of these programs will be coupled
22 with a specific marketing plan that will further increase customer awareness of the

1 importance of energy efficiency and add to the information value of the portfolio of
2 programs as a whole.

3 **Q. BASED ON THESE PROJECTIONS AND THE ANALYSIS SET FORTH IN THE**
4 **APPLICATION FOR THE NEW NATURAL GAS EE PROGRAMS AND**
5 **EXHIBITS, WHAT CONCLUSIONS DID THE COMPANY REACH REGARDING**
6 **THE PROPOSED NEW PROGRAMS?**

7 A. DESC has determined that these three residential and one commercial programs
8 represent a balanced suite of natural gas offerings in combination with the existing electric
9 DSM portfolio. The proposed programs are reasonably practicable for the Company to
10 implement, so as to encourage customer participation; are technically and economically
11 justified; and have a reasonable likelihood of providing savings to customers and the
12 system.

13 **OVERVIEW OF THE PROPOSED SUITE OF NATURAL GAS EE PROGRAMS**

14 **Q. WHAT DSM PROGRAMS ARE BEING PROPOSED?**

15 A. As summarized in the Application and as explained by Company Witness Herndon,
16 the Company proposes to create four new demand reduction and energy efficiency
17 programs for the Company's residential and commercial natural gas customers. These
18 programs leverage the Company's electric DSM experience and will:

- 19 • Revise eligibility to the Company's Residential EnergyWise Savings Store to
20 include product offerings allowing online discounts for natural gas customers;
- 21 • Create a new application(s) to offer Residential High Efficiency Gas Equipment
22 rebates to natural gas customers;

- Create a new application(s) to offer Commercial High Efficiency Gas Equipment rebates to natural gas customers; and
- Expand the Company's Neighborhood Energy Efficiency Program ("NEEP") to accommodate the Company's natural gas customers.

Q. CAN YOU DISCUSS THE SPECIFICS OF EACH OF THE PROPOSED NATURAL GAS EE PROGRAMS?

A. DESC proposes the following four Natural Gas EE Programs:¹

1. **Expansion of the Company's Residential EnergyWise Store to include product offerings for its natural gas customers.** The Company will revise eligibility in the EnergyWise Savings Store to include product offerings allowing online discounts for residential natural gas customers that are currently not available. With this new natural gas DSM program, the Company's natural gas and combination customers (i.e., customers that purchase both gas and electric energy from the Company) can purchase gas efficiency measures from the EnergyWise Savings Store. DESC plans to use the EnergyWise Store's existing infrastructure and implementation contractor to cost-effectively expand customer access within the current online store. By leveraging the existing developed online store, DESC can bypass some of the more expensive setup, testing and implementation steps required if a new online store was created from scratch. Additionally, by using the existing implementation contractor, the process of purchasing

¹ The programs identified in this testimony are identified by descriptive functional names. For marketing purposes, however, these programs may be identified by different names when the programs are rolled out to DESC's customers.

1 from the online store will be consistent for all customers and easier for
2 Customer Service representatives to assist. If approved, the Company's
3 natural gas customers will be able to access the store in a similar manner as
4 the Company's electric customers; i.e., they will be able to create an online
5 account and then access an instant rebate for the purchase of energy-
6 efficient home products and measures specifically related to reducing gas
7 usage. This proposed gas program, as designed, passes the Total Resource
8 Cost ("TRC") test as well as the Utility Cost Test ("UCT").

9 **2. Creation of new application(s) to offer Residential High Efficiency Gas**
10 **Equipment Rebates to natural gas customers.** The Residential High
11 Efficiency Gas Equipment program will provide rebates to residential
12 service customers that purchase eligible gas furnaces, gas water heaters, gas
13 tankless water heaters, and gas direct vent fireplaces. The rebate is available
14 once the customer purchases the eligible energy efficient equipment and
15 submits a rebate application to DESC. DESC plans to leverage its existing
16 in-house tracking system, infrastructure, and internal rebate processing
17 team to cost-effectively administer this program by offering it alongside the
18 Company's electric Heating & Cooling and Water Heating Program. This
19 proposed gas program, as designed, passes the TRC test as well as the UCT.

20 **3. Creation of new application(s) to offer Commercial High Efficiency**
21 **Gas Equipment rebates to natural gas customers.** The Commercial High
22 Efficiency Gas Equipment program will provide rebates for small to
23 medium-sized businesses that invest in energy efficient natural gas

1 equipment. The program will focus on providing (1) equipment rebates for
2 space and water heating for small business customers and (2) equipment
3 rebates for purchasing commercial cooking equipment for medium-sized
4 business customers. Customers will be able to participate in this program
5 by submitting a rebate application after the purchase and installation of
6 eligible equipment. DESC plans to leverage its existing infrastructure to
7 cost-effectively administer this program through a new application
8 alongside the existing EnergyWise for your Business Program in the
9 Company's electric DSM portfolio. Also, DESC will seek to process
10 Commercial High Efficiency Gas Equipment Program rebates through the
11 same implementation contractor or similar processes as the Company's
12 electric DSM rebates. This proposed gas program, as designed, passes the
13 TRC test as well as the UCT.

- 14 4. **Expand NEEP to accommodate natural gas customers.** Making NEEP
15 available to DESC's income-qualified gas-only customers with energy
16 efficiency education, an in-home energy assessment, and direct installation
17 of low-cost natural gas efficiency measures delivered via a neighborhood
18 door-to-door sweep approach. DESC will leverage existing NEEP
19 infrastructure to minimize administrative costs for the expansion of this
20 program by simultaneously providing the proposed gas offerings and the
21 electric NEEP offerings using the same implementation contractor.

1 **Q. DOES THE TOTAL PORTFOLIO OF PROGRAMS PASS THE TRC TEST OR**
2 **THE UCT?**

3 A. Yes. The total portfolio is cost effective under both the TRC test and the UCT. The
4 natural gas NEEP program, however, does not pass the TRC test or the UCT as a standalone
5 program. However, following the original intent of the Company's low-income offerings
6 for its electric customers, DESC believes that offering a gas-specific low-income program
7 is an important part of the Company's overall DSM offerings and that—in this specific
8 instance—a program-level failure of the TRC test should not prevent the implementation
9 of the program.

10 This is consistent with the Commission's approval of such an exception for the
11 electric DSM programs. Specifically, the Commission, in Order No. 2010-472 ("2010
12 Order"), granted the Company a similar exception to § 58-37-20 for its electric-specific
13 low-income program,² as it allowed the Company to create the program regardless of
14 whether it failed the TRC test. Thus, DESC requests that the Commission—in accord with
15 the precedent established by the 2010 Order—grant the Company a limited exception to §
16 58-37-20 for its gas-specific NEEP program. This exception will allow DESC to create
17 the proposed gas-specific NEEP program regardless of whether it passes the TRC test.

² See Order No. 2010-472, at Exhibit 1, ¶ 13; *see also* DESC's Request for Approval of an Expanded DSM Plan and a Modified DSM Rate Rider, Docket No. 2019-2239-E, at ¶ 14 ("[T]he Neighborhood Energy Efficiency Program, a low-income offering, is proposed pursuant to the terms of the Settlement Agreement adopted by the Commission in Order No. 2010-472, which provides that 'low-income programs may not pass the TRC test and that such a result shall not prevent the implementation of the program.' Settlement Agreement at 6, Docket No. 2009-261-E.").

1 **Q. HOW WILL DESC ENCOURAGE NATURAL GAS CUSTOMERS TO**
2 **PARTICIPATE IN THE PROPOSED NATURAL GAS EE PROGRAMS?**

3 A. The Company plans to use the same service delivery methods that have successfully
4 encouraged participation in its Electric DSM programs. These marketing tactics include
5 bill inserts, online advertising, direct mail, and DESC website content to inform DESC
6 customers about the Company's Electric DSM programs. Utilizing these existing methods
7 has shown to be effective at reaching customers.

8 DESC's Electric DSM programs have provided staff with extensive experience and
9 the Company can put that experience to use to deliver the proposed programs to the
10 Company's residential and small business customers. In sum, these improvements to our
11 community outreach infrastructure will allow the Company to efficiently deliver the
12 proposed Natural Gas EE Programs.

13 **Q. DO THE PROPOSED NATURAL GAS EE PROGRAMS INCLUDE A GAS-**
14 **SPECIFIC HOME ENERGY CHECK-UP PROGRAM?**

15 A. No. DESC continues to evaluate the practicality of creating a gas-specific Home
16 Energy Check-up (HEC) program to be offered in its gas only service territories. The
17 Company advised the DESC Energy Efficiency Advisory Group that at this time it is not
18 economically feasible to add a gas-specific HEC program but that DESC would continue
19 to analyze the economic feasibility of adding such a program.

20 Additionally, before the Company can create such an offering for gas-only
21 customers, DESC must ensure that the current HEC offering under the Electric DSM
22 portfolio is able to achieve costs effectiveness. Pre-pandemic, DESC DSM staff were
23 aware that the HEC Program was experiencing a decline in cost effectiveness and energy

savings due to two primary reasons: Federal lighting standards and changes in customer behavior. As DESC continues to address these issues, it would not be prudent to move forward with expanding the offering at this time.

Q. PLEASE DESCRIBE THE PROJECTED INVESTMENT AND PROJECTED SAVINGS THAT DESC EXPECTS TO ACHIEVE BY CREATING THE NATURAL GAS EE PROGRAMS.

A. The following tables summarize the projected performance of the proposed Natural Gas EE Programs:

Preliminary Natural Gas EE Programs—Annual Budgets:

Program	Sector	YR 1	YR 2	YR 3	YR 4	YR 5	5-Yr Total
Residential Equipment Rebates	Res.	\$434,000	\$564,000	\$699,000	\$699,000	\$703,000	\$3,099,000
Online Store Program	Res.	\$74,000	\$77,000	\$85,000	\$85,000	\$85,000	\$405,000
Low Income Program	Res.	\$243,000	\$243,000	\$243,000	\$243,000	\$243,000	\$1,213,000
Commercial Gas Equipment Incentives	Com.	\$200,000	\$227,000	\$268,000	\$268,000	\$268,000	\$1,231,000
Portfolio Admin/Management	-	\$261,000	\$228,000	\$243,000	\$243,000	\$244,000	\$1,220,000
TOTAL		\$1,211,000	\$1,339,000	\$1,538,000	\$1,538,000	\$1,542,000	\$7,168,000

Preliminary Natural Gas EE Programs—Annual Savings (therms):

Program	Sector	YR 1	YR 2	YR 3	YR 4	YR 5	5-Yr Total
Residential Equipment Rebates	Res.	93,000	128,000	160,000	160,000	160,000	700,000
Online Store Program	Res.	34,000	41,000	48,000	48,000	48,000	219,000
Low Income Program	Res.	20,000	20,000	20,000	20,000	20,000	101,000
Commercial Gas Equipment Incentives	Com. Res.	67,000	91,000	114,000	114,000	114,000	500,000
TOTAL	-	215,000	280,000	342,000	342,000	342,000	1,520,000

RECOVERY OF PROGRAM COSTS

Q. DOES THE COMPANY PLAN TO CREATE A NATURAL GAS RATE RIDER TO RECOVER PROGRAM COSTS?

A. Yes. The Company proposes to create a natural gas rate rider to recover program costs. The new rate rider will be titled Rider to Retail Gas Rates—Demand Side Management Component (“Gas DSM Rider”). Company Witness Smith explains the Gas DSM Rider in her testimony.

Q. PLEASE PROVIDE A BRIEF OVERVIEW OF NATURAL GAS DSM RATE RIDER.

A. As Company Witness Smith will explain, DESC seeks approval to create a natural gas rate rider for the Natural Gas EE Programs. The Gas DSM Rider will be created to recover program costs and a Shared Savings Incentive (“SSI”). The Company has structured the Gas DSM Rider like the electric DSM rider that the Commission approved in Order No. 2019-880 in Docket No. 2019-239-E (“2019 Order”). This means that the Gas DSM Rider will also:

- a) Amortize unrecovered balances of the Natural Gas EE Program costs over a three-year period;
- b) Use the Company’s embedded cost of long-term debt as the rate of the carrying costs applied to the unrecovered balance of the Natural Gas EE Programs;
- c) Earn an SSI of 9.9%, which allows the Company to earn a reasonable incentive as contemplated by S.C. Code Ann. § 58-37-20.

SHARED SAVINGS INCENTIVE

Q. WHY IS AN INCENTIVE NECESSARY?

A. An incentive is necessary to fulfil the statutory requirements of S.C. Code Ann. § 58-37-20. Under the statute, the Commission must provide a utility with an incentive if the Commission adopts procedures that encourage a utility to invest in cost-effective energy efficient technologies and energy conservation programs. *See* S.C. Code Ann. § 58-37-20.

Q. PLEASE EXPLAIN THE COMPANY'S REQUEST CONCERNING THE SHARED SAVINGS INCENTIVE.

A. The Commission has consistently allowed the Company to recover an incentive on its investments in Electric DSM programs. The proposed incentive represents a small portion of the savings that the Company's natural gas customers will receive. DESC uses the customers' net benefits as determined by the TRC test to calculate the shared savings incentive projection. DESC then trues up the calculation to reflect the actual customer net benefits based on the evaluated savings, as determined by the Company's annual third-party Evaluation, Measurement, and Verification ("EM&V") Report.

The Company proposes to apply a rate of 9.9% to the customers' net benefits for the proposed Natural Gas EE Programs. DESC believes that the proposed incentive—in accord with § 58-37-20—adequately incentivizes the Company to invest in cost-effective energy efficient technologies and energy conservation methods. The proposed incentive—along with the proposed Gas DSM Rider and recovery of net lost revenues—must be provided to fulfil the financial guarantees to utilities stated in § 58-37-20. In other words, approval of the entirety of DESC's request ensures that the Company receives both revenue

1 neutrality and a financial incentive in exchange for its investment in the proposed Natural
2 Gas EE Programs.

3 This Commission has recognized that an SSI of 9.9% offers the proper incentive to
4 invest in DSM programs. With that SSI in mind, the Company investigated the
5 development of these gas DSM programs to present to this Commission for approval. The
6 SSI of 9.9% sufficiently incentivized the Company to explore the addition of these gas
7 DSM programs and seek approval from the Commission to implement these programs.
8 Moreover, the SSI allows the Company to maintain consistency throughout the Company's
9 business units as it is identical to the incentive rate that the Commission approved in the
10 2019 Order for the Company's suite of electric DSM programs.

11 DESC projects that the annual incentive will be \$5,375 for residential and
12 commercial gas customer classes in Program Years 1 through 5. The Company believes
13 that the projected annual incentive of \$5,375—as compared to annual projected program
14 costs of \$1.2 to \$1.5 million—represents a reasonable incentive that will impact the
15 residential bill by less than \$0.01.

16 **RECOVERY OF NET LOST REVENUES**

17 **Q. WILL NET LOST REVENUES BE INCLUDED IN THE RIDER FOR THE**
18 **NATURAL GAS EE PROGRAMS?**

19 **A.** As Company Witness Smith will explain, the Company does not seek to recover
20 net lost revenues in this proceeding through the rider. Instead, DESC proposes to address
21 the recovery of net lost revenues through the Company's annual Rate Stabilization Act
22 ("RSA") proceeding. The Company will continue to file its RSA monitoring report with
23 the Commission on or before June 15th for each 12-month period ending on March 31st.

CONCLUSION

Q. WHAT ARE YOU ASKING THE COMMISSION TO DO IN THIS PROCEEDING?

A. The Company respectfully requests that the Commission authorize the Company to:

- 1) Create the proposed Natural Gas EE Programs for a five-year term;
- 2) Grant the Company a limited exception to § 58-37-20, which will allow DESC to create a gas-specific NEEP program despite its program-level failure of the TRC test. This exception would be similar to the exception the Commission granted in the 2010 electric DSM Order.
- 3) Authorize DESC to modify, expand, amend, or add any measure or program to its suite of DSM programs going forward without the requirement to seek prior Commission approval to do so; and
- 4) Authorize the Company to create the proposed Gas DSM Rider as described in my testimony.

The Company also wishes to provide notice of intent to recover the net lost revenues resulting from the proposed DSM programs through the Company's annual Natural Gas RSA proceeding.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.